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NPIC/TSSG/RED-1949-69
8 December 1969

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting (4 December 1969) with [] Regarding Contract []
for the Image Comparison Microstereoscope (ICM)

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1. On the above date, [] and the undersigned met at
NPIC with Messrs. [] Product Development Department Manager, and
[] Project Administrator, from [] to discuss the potential
new overrun condition of this contract--as previously described in TSSG/
RED/SRB-1937-69.

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2. [] gave a detailed description of present technical
status and the projected assembly, test, and delivery schedule. This
schedule revision, since the last monthly progress chart, indicates there
will be a slip in the ICM shipment date from 6 March 1970 to 25 April 1970.
Although not confirmed, it is most likely that there will be additional
costs incurred with this schedule slip. Sensitive to our past comments on
this and other [] contracts, Measrs. [] stated that they
have sought and received concurrence from higher [] management to elimin-
ate any such excess costs by a consequent reduction of their award fee.
An official [] letter to this effect will be forthcoming.

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3. Privately, [] agreed with me that such a step is, in
effect, the imposition of a cost ceiling. He indicates that the []
letter described will not have true legal force, but does represent a
strong commitment in writing on their part. Perhaps, a management follow-
up with Messrs. [] would be appropriate. These
gentlemen, who are the primary managers of the Scientific Instrument/
Special Products Division (with which NPIC does most of its [] business),
are presently undergoing a BI for SI, T, KH clearances. These investiga-
tions are expected to run for another 30-60 days. Therefore, perhaps two
meetings with them are indicated--one immediately; and another during a
tour of NPIC, at which time the national importance of the work accomplished
with [] equipment can be re-emphasized.

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4. A detailed discussion of the reasons for and effects of the
schedule slip took place during the meeting. In my previous memorandum,
I indicated project costs during September to be []--this was in
error and included the August figures. The correct September totals were
[] over the budget. Small savings have occurred
since then and the next Progress Report is expected to show excess costs

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of [redacted] through 26 November 1969 (with a total of about [redacted] left in the contract). These figures include direct costs, overhead, G&A, and target award fee for Phase II. By contractual arrangement, the fee for the completed Phase I has not yet been paid. Total funds in the contract include an 8% target fee for both phases, and this figure totals [redacted]

5. Perhaps the most prominent portion of the excess costs is for Factory MATERIAL. In June 1969, in analyzing the past overrun, [] predicted this figure would be []. Through November, MATERIAL had reached [] and is expected to go to []. Parts manufactured by [] is about [] over budget. They also claim that they under-estimated the cost of sub-assembly of the objective lenses and the anamorphic lenses. Extra debugging of sub-assemblies include: (1) re-machining of the microscope weldment; (2) modification of the Mask Edge Scanning/Split Field Stereo Mechanism--both previously reported to me; (3) adjustment of the stage linkage pins; (4) redrilling of a condenser mounting; (5) modification of the anamorphic prism linkage.

6. The Project Manager, [redacted] has had a schedule slip in the other project he is managing and there will be some conflicts on his time. Consequently, [redacted] the Department Manager, is "freeing him for technical control only," and is having the ICM personnel report directly to him--in a real sense, [redacted] is now managing the project. He states that the primary reason for the ICM schedule slip results from the fact that he is now scheduling specific, experienced personnel for the assembly, debug, and test phases. He is doing this "to control costs since these most experienced personnel can do the job most efficiently and quickly (perhaps by a factor of 2-4 times)." [redacted] is also sensitive to any conflict with the Advanced Stereo Rhomboid assembly and test phase--he states there will be none.

7. In the expectation that [] will forward written confirmation of their offer to absorb excess costs with their profit, the foregoing may be academic; however, it is offered for information and record-keeping. My next inspection and review of the assembly, etc. of the project is scheduled for 15 December 1969.

Project Monitor

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